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Shultz Persuaded Sultan to Donate Money to Contras

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WASHINGTON—Secretary of State George P. Shultz persuaded the sultan of the oil-rich Asian nation of Brunei to donate several million dollars to Nicaraguan rebels last summer and the money was funneled through a Swiss bank account administered by Lt. Col. Oliver L. North, Administration officials said Friday.

Justice Department investigators are now attempting to determine what happened to the money, which may have passed through the same secret account that North allegedly used to handle profits from the sale of U.S. weapons to Iran, the officials said.

North, a National Security Council aide who was fired by President Reagan last week, left no clear record of the funds, one senior government official said, although several officials indicated there was no reason to suspect that North had personally profited from the transaction.

The Justice Department asked the Swiss government to freeze the account on Friday and dispatched several investigators to Switzerland in search of bank records, officials said. But it was not known how much money—if any—remained in the account, they said.

The State Department refused to confirm or deny that Shultz had solicited the contribution, but noted that it would not have been illegal for him to do so as long as the money was not intended as military aid.

The incident was the first confirmed instance of the State Department seeking and obtaining aid for the rebels from another country during a period when Congress had rejected President Reagan's en-

treates and cut off the *contras'* U.S. military funding. It also revealed a previously unknown link between the State Department's efforts and the private aid network that North directed from the White House.

And the affair added a new twist to the emerging picture of the extraordinary power that North

amassed as a middle-level NSC official running secret operations across three continents.

"Oliver North had complete discretionary control of several million dollars the whole time," one official marveled Friday. "And no one—no one—knows where it went."

The case of the missing millions of Brunei turned up as Justice Department and congressional investigators pursued a mass of unanswered questions about the White House's covert programs—questions which several officials said seem to turn up new mysteries every day.

The episode began last spring, officials said, as U.S. officials were looking for new ways to win funds for the *contras*, who are fighting to overthrow Nicaragua's leftist government. Congress cut off U.S. military aid to the rebels in 1984, and only restored it this October.

The assistant secretary of state in charge of Latin America, Elliott Abrams, hit upon the idea of asking for help from Brunei, a tiny nation on the southeast Asian island of Borneo whose oil and gas revenue give it one of the highest per capita incomes in the world, several officials said.

Not Clear if Shultz Knew

At Abrams' suggestion, Shultz lobbied the mini-state's dynastic ruler, Sultan Muda Hassanal Bolkiah. The secretary of state even dropped in for a three-hour visit to the Sultan's 1,788-room, marble and mahogany palace in the capital of Bandar Sari Begawan last June.

The sultan, a strongly anti-communist ruler who has sought a closer relationship with the United

States, agreed to help the Nicaraguan rebel cause. U.S. officials then provided him with the number of a secret Swiss bank account—a number which North had given to Abrams, officials said.

"Several million" was deposited, one official said. He said Abrams apparently did not know the contribution had been made. It was not clear whether Shultz knew the contribution had been made.

Nor was it clear whether State Department officials—or anyone in the Administration besides North—knew where the money had gone.

Neither Shultz nor Abrams would comment on the incident.

The Swiss bank account was not set up by the CIA, which was then prohibited from handling aid for the *contras*, officials said. Instead, they said, it was apparently set up by North or one of his associates in the network that at the time was transferring profits from the sale of U.S. arms to Iran into accounts for use by the *contras*.

The CIA has acknowledged that it received \$12 million from the secret arms sales to Iran. The agency said that money was reimbursed to the Pentagon for the cost of the weapons, which included TOW anti-tank missiles and HAWK anti-aircraft missile parts. Atty. Gen. Edwin Meese III said last week that between \$10 million and \$30 million more had been diverted to the *contras*, but the CIA said that this additional money did not pass through its hands.

The existence of the Brunei millions turned up in a State Department audit, officials said.

State Department spokesman Charles Redman, while refusing to say whether Shultz had solicited the aid or not, said: "There would be nothing illegal or improper about such an action."

If the Brunei money was used for military purposes, however, it would appear to be at odds with the spirit of the congressional restriction.

Congress specifically allowed the State Department to promote "humanitarian aid" to the *contras* from other countries when it voted to give the rebels \$27 million in non-military U.S. aid during 1985 and 1986, State Department officials said.

Democrats in Congress attempted to prohibit such soliciting in 1985, but White House officials threatened a presidential veto of the foreign aid bill if the ban was

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attached.

However, one State Department official acknowledged that it was not clear whether the Administration had any way of restricting the use of Brunei's funds to non-military purposes once they went into the contra network's secret bank accounts.

'On Persian Gulf, Right?'

A spokesman for the contras said they knew nothing about any money from Brunei. "I don't know where Brunei is," said the spokesman, Bosco Matamoros. "It's on the Persian Gulf, right?"

In fact, Brunei is located on the South China Sea, several hundred miles south of Vietnam.

Justice Department investigators hoped that the bank records could produce a trail showing where the money went and what it was used for, but officials said they did not know how clear the trail would be.

The officials said they did not expect any difficulty in examining the Swiss bank accounts, thanks to a U.S.-Switzerland Mutual Legal Assistance Treaty signed in 1985. Before the pact was signed, U.S. financial investigations often found Swiss bank secrecy a roadblock, but the treaty provides access to the records in criminal investigations subject to Swiss government approval.

At the State Department, which had so far escaped being tarred with the spreading furor over North's operations, the mood was glum.

"The sultan isn't going to like this," one diplomat sighed.

Also contributing to this article were Times staff writers Ronald J. Ostrow and Norman Kempster.